

Metro Nashville Davidson County Mixed-Income PILOT Program Frequently Asked Questions

What is a PILOT?

Nashville is not able to provide direct discounts to individual tax bills outside of parameters determined by state law (such as tax freezes for eligible households). Therefore, one of the primary tools to address the tax liability of low- and moderate-income multifamily housing is through a payment-in-lieu of tax (PILOT) program. In a PILOT program, property must be transferred to a tax-exempt entity, such as the City's Health and Educational Facilities Board (HEFB), and then is leased back to the developer. Instead of making an annual tax payment, the developer will make a PILOT payment as negotiated with the HEHFB and in accordance with the program's guidelines.

What properties qualify to apply?

To be eligible for a Mixed-Income PILOT, applicants must be developing new construction, multifamily housing or multifamily housing that will include substantial rehabilitation. Substantial rehabilitation shall mean financial investment (construction costs, building improvements, site improvements) equal to or greater than fifty (50%) percent of the previous assessment value.

To be considered, properties must be located in Davidson County and be appropriately zoned for the development. In addition, the applicant must have site control, which shall be the equivalent of a fee simple title or 99-year lease.

Applicant cannot combine the Mixed-Income PILOT with any additional government subsidies including but not limited to the Low-Income Housing Tax Credit, the Barnes Housing Trust Fund, Infrastructure Improvement Funds or Community Development grants. However, the developer may accept vouchers or other types of rental assistance.

Applicant must provide evidence of financing commitment for the total project costs to display an ability to complete project. Additionally, no projects that are currently operational are eligible to apply.

Applicant must comply with fair housing laws and develop a plan for furthering fair housing, including affirmative marketing of available units. All subsidized, available units must be publicly noticed, including the City's Resident Portal (once available).

How will the payment be calculated?

Applicants will select the level of affordability they will commit to providing and the corresponding abatement level. The level selected in the application must be the level included in the executed PILOT agreement. Applicants cannot make changes to their application once review has begun.

Upon internal approval, a third-party fee appraisal will be conducted to determine what the appraisal would be on the property at the time it is placed in service. The base taxes are the taxes paid from the calendar year in which the PILOT is approved by the Health and Ed Board. The Year 1 abatement will be calculated using the below methodology:

[Projected Year 1 tax bill (as calculated using third-party fee appraisal) – abatement (as calculated using selected level of impact)] + base year tax amount = Year 1 Payment

Payments will escalate 3.5% annually. Properties within the UZO will escalate 4% annually.

The calculations will be represented in the PILOT agreement through a 15-year payment schedule.

How do I know if my application will be competitive?

No applicant is guaranteed approval. Application fees are nonrefundable. Disapproved applications are able to apply for the next open PILOT round.

Approval of applications will be determined based on the following factors:

1. Availability of annual PILOT cap amount (currently \$3M)
2. Completeness of application and submission of all required documentation
3. Location in high-rent market
 - a. Applicants must engage a third-party market study of rents in the submarket for which they are applying. Study should be submitted with application. Applicant then uses those submarket rents and the level of impact at which they are applying to provide the Housing Division with an analysis of the gap between the submarket rents and the AMIs. Preference will be given to applicants with the largest gap between submarket rents and tier selected.
4. Availability of units
 - a. While development and construction timelines are constantly in flux, if applications are comparably competitive in the above categories, preference will be given to the application which can demonstrably prove earliest availability of units. The only documentation that would qualify for consideration in this category are Metro approved permits. Any such documentation must be submitted with the application to be considered.

What requirements are there for the building plans and property management?

All buildings must be built to code. All affordable units must be built and maintained to uniform standards in both construction and operations. The availability of income-restricted units must be proportional to market rate units and must be mixed throughout the building.

What is the timeline for PILOT decisions?

Please see the attached timeline chart.